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Income tax distributions to counties will decline again in 2004, Budget Director Schultz says

A significant reduction in the amount of local county income taxes collected in 2001 will result in smaller distributions of tax revenues to counties in 2004, State Budget Director Marilyn Schultz said today.

Schultz said that she was sending a letter today to local officials to inform them that the state Department of Revenue has completed an audit of 2001 collections – the year on which distributions in 2004 will be based – and it shows that distributions will decline in 2004, just as they did this year.

“This is money that the state collects for counties and municipalities; we act merely as administrators. That function includes an audit of collections to ensure we’re distributing the proper amounts,” Schultz said. “And that audit shows that local tax collections are suffering, just as collections of state taxes are.

“We know this causes hardship for counties and cities and we empathize; we have budget problems of our own. But in no way are we passing on our budget problems to the localities. We’re merely serving as a go-between, and we think it is our duty to notify local officials as soon as possible so they can make plans for coping in 2004.”

The distributions represent collections from three taxes – county option income tax, county adjusted gross income tax and county economic development income tax. Eighty-five counties have adopted at least one of the taxes. This year, the state reduced distributions statewide by 5.8 percent. In 2004, the state estimates it will reduce distributions by 7.1 percent.

Twelve counties will get the same amount as they received in 2003 or even grow; Vermillion County will realize an increase of 15 percent. Thirty-five counties will take cuts ranging from 0.4 percent to 9.7 percent. Thirty-two counties will experience cuts ranging from 9.8 percent to 10 percent. And six counties face cuts exceeding 10 percent, with Hamilton County expected to take the biggest cut – 20 percent.

“This is still another ramification of the national recession. The economic forecast for 2004 incorporates 2001 tax collections, and that was the year that income taxes suffered a precipitous decline nationally and at the state level,” Schultz said. “The result is that governments at all levels must make do with less.”

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